

Message Text

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TAGS: ECON, TU, SU
SUBJ: DETAILS OF TURKISH-SOVIET ECONOMIC COOPERATION AGREEMENTS
ANNOUNCED

REF: A) ANKARA 9503 B) 75 ANKARA 5361 C) ANKARA 9684

1. SUMMARY. MINISTER OF ENERGY AND NATURAL RESOURCES
SALAHATIN KILIC IN DECEMBER 21 PRESS CONFERENCE GAVE DETILS
OF ACCORDS REACHED WITH SOVIETS DURING HIS VISIT TO MOSCOW
EARLY DECEMBER REPORTED REF A. HE SAID "CONSENSUS" WAS
REACHED ON FIVE JOINT PROJECTS WITH TOTAL VALUE OF 1.2 BILLION
DOLLARS, WHILE STUDIES WERE TO BE CONDUCTED ON ANOTHER TWENTY
VALUED AT ROUGHLY 110 BILLION TURKISH LIRA AND 3.5 BILLION
DOLLARS IN FOREIGN CURRENCY. METIN KUSTALOGLU, DIRECTOR OF
DEPARTMENT OF BILATERAL ECONOMIC AFFAIRS IN MFA, WHILE
ADOPTING LOW-KEY ATTITUDE IN DISCUSSING AGREEMENTS WITH
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EMBOFF AND POINTING OUT THAT SOME OF PROJECTS WERE
ALREADY CALLED FOR IN EXISTING BASIC TURKISH-SOVIET ECONOMIC
COOPERATION AGREEMENT (SEE REF B), STREESED SIGNIFI-
CANCE OF NEW PROJECTS TENTATIVELY AGREED TO. OUR IMPRESSION
IS THAT, WHILE PROJECTS ENUMERATED BY KILIC REQUIRE CONSIDERABLE
FUTHER NEGOTIATION BEFORE IMPLEMENTATION, AGREEMENTS DO

INDEED DEMONSTRATE NOTEWORTHY DEPARTURE IN TURKISH ATTITUDES TOWARD INVOLVEMENT OF SOVIETS IN INDUSTRIAL DEVELOPMENT EFFORT. END SUMMARY.

2. KILIC SAID OBJECT OF HIS MOSCOW VISIT AS CHAIRMAN OF THE TURKISH SIDE AT FIRST SESSION OF TURKISH-SOVIET JOINT COMMISSION ON ECONOMIC DEVELOPMENT WAS TO (A) TAKE DECISIONS CONCERNING IMPLEMENTATION OF PRESENT ECONOMIC AGREEMENT, (B) ESTABLISH STATUTE OF JOINT COMMISSION, (C) REVIEW NEW PROJECTS, AND (D) INITIAL LONG-TERM ECONOMIC COOPERATION AGREEMENT. AS CUSTOMARY, AT LEAST ANNUAL MEETINGS OF JOINT COMMISSION WILL BE HELD, NEXT ONE IN 1977 IN ANKARA.

3. KILIC DESCRIBED FIVE JOINT PROJECTS WORTH 1,230 MILLION DOLLARS (ALL OF WHICH WERE ENVISAGED UNDER PREVIOUS AGREEMENTS) ON WHICH CONSENSUS WAS REACHED AS FOLLOWS:

A. EXPANSION OF ISKENDERUN STEEL MILL. THIS WILL TAKE PLACE IN TWO STAGES. THE FIRST INVOLVES DELIVERY OF EQUIPMENT ENABLING CAPACITY EXPANSION FROM PRESENT ONE MILLION TONS ANNUALLY TO 2.2 MILLION TONS, AND THE SECOND MODERNIZATION OF THREE BLAST FURNACES TO PERMIT EVENTUAL OUTPUT OF 3.2 MILLION TONS. "FINAL SHAPE" WILL BE GIVEN TO PROJECTS AND A PAYMENT CONTRACT WILL BE SIGNED WITHIN FOUR MONTHS. THE TWO ARE VALUED AT 300 AND 470 MILLION DOLLARS, RESPECTIVELY.

B. DOUBLING OF SEYDISEHIR ALUMINUM COMPLEX CAPACITY. VALUED AT 50 MILLION DOLLARS, PLANS FOR THIS PROJECT WILL BE MADE FINAL AND WORK WILL BEGIN IN 1977.

C. CONSTRUCTION OF TWO THERMAL POWER PLANTS IN WESTERN TURKEY. LARGER WILL BE A CAN WITH A CAPACITY OF 600 MEGAWATTS AND SMALLER AT ORHANELI WITH 200 MEGAWATTS. THEY ARE LIMITED OFFICIAL USE

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TO BE COMPLETED AT A COST OF 350 MILLION DOLLARS BY 1981.
D. THE FINAL PROJECT IS FOR CONSTRUCTION OF TWO ELECTRO-MECHANICAL EQUIPMENT FACTORIES, ONE TO PRODUCE TURBINES AND GENERATORS AND THE OTHER ELECTRIC MOTORS. TOTAL COST 60 MILLION DOLLARS.

4. IN ADDITION TO FOREGOING FIVE PROJECTS, KILIC ANNOUNCED THAT PRELIMINARY STUDIES WOULD BE CONDUCTED ON SOME 20 NEW ONES. THESE INCLUDE FIVE LIGNITE MANAGEMENT PROJECTS, THREE HYDRO-ELECTRIC PROJECTS, A THERMAL POWER PLANT, AN UNSPECIFIED NUMBER OF FOUNDRIES, A FERTILIZER COMPLEX, AND IRON ORE MINING PROJECT, A MAGNESITE INSTALLATION, A HYDROGEN PEROXIDE FACTORY, EXPANSION OF THE SOVIET-CONSTRUCTED IZMIR ALIAGA REFINERY, CONSTRUCTION OF ADDITIONAL REFINERIES IN THE BLACK SEA REGION, AND FINAL EXPANSION TO 6.6 MILLION TONS ANNUAL CAPACITY OF THE ISKENDERUN IRON AND STEEL PLANT. KILIC ESTIMATED VALUE OF THIS EXTENSIVE LIST OF PROJECTS AS TL 110 BILLION, PLUS FOREIGN EXCHANGE REQUIREMENTS OF SOME 3.5 BILLION DOLLARS.

5. ACCORDING TO PRESS ACCOUNTS, KILIC SPECIFICALLY DENIED REPORTS THAT SOVIETS HAD GIVEN THE TURKISH SHOPPING LIST A COOL RECEPTION. HE SAID THAT, TO THE CONTRARY, SOVIET COMMENT HAD BEEN FAVORABLE AND CONSTRUCTIVE. HE IS ALSO REPORTED TO HAVE SAID THAT SOVIET LOANS REQUIRED FOR THESE PROJECTS WOULD BE PAID FOR WITH TURKISH EXPORTS.

6. WE HAVE DISCUSSED AGREEMENTS WITH METIN KUSTALOGLU, DIRECTOR OF DEPARTMENT OF BILATERAL ECONOMIC AFFAIRS IN MFA, WHOSE COMMENTS WERE GENERALLY LOW-KEY, WITH EMPHASIS ON CONTINUING NATURE OF MANY OF PROJECTS INCLUDED. AYDIN KARAHAN, A MEMBER OF KUSTALOGLU'S STAFF, IN SEPARATE CONVERSATION RE PAYMENT ARRANGEMENTS, STRESSED THAT AT NO TIME DURING KILIC VISIT WERE SPECIFICS AS TO PAYMENT DISCUSSED. HE SAID THAT 1975 AGREEMENT (REF B) CALLING FOR 10-12 YEAR REPAYMENT AT THREE PERCENT HAD IN FACT NEVER BEEN CARRIED OUT AND THAT INDIVIDUAL PAYMENT AGREEMENTS WOULD BE REQUIRED LIMITED OFFICIAL USE

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AS EACH PROJECT CONTRACT WAS CONCLUDED. CONFIRMING KILIC COMMENT, HE SAID THESE WOULD PROBABLY BE ON CLEARING BASIS, ALTHOUGH TURKISH SIDE WOULD "RESERVE RIGHT" TO PAY IN HARD CURRENCY IF CONDITIONS PERMITTED. HE ALSO INDICATED THAT SOVIET FEASIBILITY STUDIES WERE STILL TO BE CARRIED OUT FOR THE FIVE "OLD" PROJECTS. ALTHOUGH TURKISH FEASIBILITY STUDIES WERE COMPLETE, SOVIETS WERE ACTUALLY STILL EXAMINING PROJECTS TO DETERMINE IF TURKISH SPECIFICATIONS COULD BE MET.

7. COMMENT. WHILE MUCH HARD BARGAINING, PARTICULARLY ON PAYMENT ARRANGEMENTS, NO DOUBT REMAINS BEFORE INDIVIDUAL PROJECTS ARE IMPLEMENTED, TURKS NONETHELESS SEEM TO HAVE DEMONSTRATED WITH KILIC VISIT AND PUBLICITY GIVEN IT THAT THEY ARE PREPARED TO CONSIDER A SUBSTANTIAL EXPANSION OF SCOPE OF USSR PARTICIPATION IN TURKISH INDUSTRIAL DEVELOPMENT EFFORTS. WHETHER OR NOT, AND HOW MANY, SPECIFIC IMPLEMENTING AGREEMENTS CAN EVENTUALLY BE REACHED MAY BE ANOTHER MATTER ALTOGETHER. END COMMENT MACOMBER

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